

North Dakota Lottery

Minutes of the Retailer Advisory Board Meeting

April 26, 2006

Attendance

A meeting of the Lottery Retailer Advisory Board was held from 1:00 - 3:20 p.m., April 26, 2006, in the Audio Visual Room of the Judicial Wing of the State Capitol in Bismarck. Representing the Board were Mr. George Gottbreht (Dale's Truck Stop - Dunseith), Mr. Scott Abernathy (Superpumper – Minot), Ms. Sherri Erickson (Leever's - Grand Forks), Mr. Lee Fitterer (Fitterer Gas & Oil – Flasher), LaRayne Haakenson (Stamart Travel Center – Bismarck), Mr. Clark Erickson (Cenex Petro Serve – Casselton) and Ms. Kristi Johnson (Jimmy's BP Amoco – Fargo). Representing the North Dakota Lottery were Mr. Chuck Keller (Director), Ms. Donna Thronson (Sales and Marketing Specialist), Ms. Sherry Maragos (Customer Service Specialist), Mr. Scott Tarno (Customer Service Specialist), Ms. Danielle Schaefer (Administrative Staff Officer), Mr. Dan Nameniuk (Scientific Games International, Inc.), Ms. Marge Enerson (H2M), and Mr. James Ferragut (H2M).

Welcome

Mr. Keller thanked everybody for attending the meeting and presented an overview of the Lottery's financial success. He cited various analytical data through April 25, 2006, including biennium year-to-date sales (\$18.8 million) and general fund revenue (29% of sales) compared to projected biennium year-to-date sales (\$38.5 million) and general fund revenue (\$10 million), and per capita sales for each game compared to per capita sales of each of the games of other state lotteries that are similar geographically and demographically to North Dakota. The Lottery ranks normally first in per capita sales for Hot Lotto, Wild Card 2, and 2by2 compared to other member lotteries of the game groups, and ranks higher in per capita sales for Powerball than similar state lotteries.

Launch of the New Game 2by2

Mr. Tarno presented an overview of the pre-launch preparation and February 2, 2006 launch activities of the new 2by2 game, and provided a year-to-date sales update. The Lottery launched the game at four retailers located in Bismarck, Fargo, and Mandan. Lady Luck greeted the guests at the Fargo retailers.

Mr. Tarno conveyed that the game has been very well received by retailers and players. From February 2 thru April 16, sales of 2by2 lottery tickets were \$1.26 million. The Lottery had projected sales of \$950,000 for the first 12 months. Through April 25, North Dakota players won 14 \$20,000 jackpots. 2by2 is now the Lottery's 2nd most popular game to play with weekly sales exceeding combined sales of Hot Lotto and Wild Card 2.

Subscription Service

Ms. Schaefer presented an update of the subscription service that was implemented on November 1, 2005. Total subscription sales to date are \$59,748. About 40% of the sales were initiated by retailers and 60% by Internet online downloads of subscription applications. One hundred twelve retailers earned \$1,175 in commissions.

Ms. Schaefer stated that most of the subscriptions have been received from “groups” of players who desire an easy method to track the group’s ticket purchases and from players in small towns where there is no lottery terminal. Other subscriptions have been purchased by players as gifts, by players who do not have frequent access to a Lottery retailer, and by players who play the same numbers for each draw. She indicated that subscription applications may presently be procured from Lottery retailers or downloaded from the Lottery’s website, and mailed to the Lottery’s office. Late this summer or early fall, players will also be able to purchase subscriptions online, eliminating the unnecessary step of printing and mailing the applications, and subscriptions for Wild Card 2 and 2by2 will also become available.

Ms. Schaefer asked the members of the Board for suggestions on how the Lottery may encourage retailers to support subscriptions. Ms. Johnson stated that Jimmy’s BP Amoco does not push subscriptions since they do not create traffic at the store level. Mr. Gottbreht indicated that there is a need for subscriptions since many players may not be able to go to a retailer each week to purchase tickets. Ms. Haakenson stated that the Lottery should not rely on retail clerks to educate players on subscriptions since the clerks are too busy. She suggested the Lottery do a media/public awareness campaign on subscriptions.

Powerball Power Play 10X Promotion

Ms. Maragos reported that the Powerball Power Play 10X promotion that was held March 1-28, 2006 was very successful. She stated that the ratio of Power Play sales to Powerball sales for the 4th quarter of 2005 was 31.9%, for the 1st quarter of 2006 was 34.7%, and during the Power Play 10x promotion was 45.7%. Through April 25, the Power Play percentage is about 40% but will decrease as the Powerball jackpot increases. Ms. Maragos thanked the members of the Board for their hospitality and effort in hosting Power Play 10X in-store promotions.

Mr. Keller asked for feedback on the Power Play 10X promotion. Mr. Gottbreht suggested that the Lottery use larger signs and increase in-store promotions to peak interest in Power Play. Ms. Johnson stated that the promotion at their store generated great foot traffic.

Point-of-Sale Items

Mr. Keller asked for feedback on the point-of-sale items that are used to educate and inform retailers and players.

The members of the Board preferred stickers, rather than buttons, for promotions. They suggested that the Lottery provide more “winner awareness signs” to retailers. The Board expressed preference for 5’ width banners, rather than 8’ width banners. Ms. Johnson stated that antenna balls are great as they use them for Christmas bulbs/decorations, and would prefer to have more “winner” banners available. Mr. Gottbreht suggested that the Lottery use more banners to promote in-store events.

Jackpot Awareness/Call-to-Action Sign

Mr. Keller stated that the Lottery is still interested in providing an outside facing Jackpot Awareness/Call-to-Action sign for the 400 retailers, but cost is presently an issue.

PromoPump

Ms. Thronson presented information about a PromoPump (gas pump wrap) point-of-sale item. This was not viewed as a viable marketing tool as too many corporations control advertising at the pump which would preclude retailers from using the wraps.

Potential New Game

Mr. Keller presented a general overview of a potential new game that is presently being developed by the Multi-State Lottery Association. The game specifications have not been finalized. The members of the Board reacted favorably to the description of the game, but suggested draw days of Tuesday and Friday, rather than Wednesday and Saturday.

Retailer Bonus Commission Program

Mr. Keller reported that the retailer bonus commission program that started on January 1, 2006 is proving very successful. Since January 1, the Lottery has paid \$28,000 in bonus commissions to retailers and sales of lottery tickets has increased considerably compared to the same time period of one year ago.

Website & Newsletter Critique

Ms. Schaefer gave a synopsis of proposed enhancements to the Lottery’s web site, including winner testimonials, Lady Luck picking players’ numbers, Lady Luck jingle, viewing promotional advertising (option to view/listen), Powerball Power Play Spinning Wheel (bringing it back), and Listserv – email subscribers will automatically receive an email that transmits lottery draw numbers and updates on Lottery promotions. The members of the Board commented favorably on the “Lottery Links” newsletter.

Jackpot Awareness/Call-to-Action Sign

Mr. Keller stated that the Lottery is still interested in providing an outside facing Jackpot Awareness/Call-to-Action sign for the 400 retailers, but pricing is presently an obstacle.

Self-Checking Ticket Devices

Mr. Keller stated that the Lottery is still waiting for firm vendor pricing on “self-checking ticket devices” that may be made available to high foot traffic retailers. Several retailers have expressed interest in these devices because of the volume of tickets that players are asking retail clerks to check through the lottery terminal.

Hot Lotto Promotion

Ms. Thronson explained a proposed “Hot Lotto Las Vegas Promotion” involving second chance drawing prizes of four-day trips to Las Vegas, NV and spending cash. It would be planned for October 2006. The members of the Board liked the promotion. It was recommended that the promotion be expanded to six weeks. Mr. Gottbreht stated that a \$5 price point for a qualifying ticket is reasonable.

20/25 Millionth Ticket Promotion

Ms. Thronson indicated that the Lottery is interested in doing a 20 or 25 Millionth Ticket Promotion, similar to its previous successful “10 Millionth Ticket Promotion.” The Lottery was considering two options for identifying the winning player – having players check their tickets that were bought on the winning day to create hype/excitement (but not having a guaranteed winner) or having the lottery terminal print an “award certificate” to the winning player and ensure a guaranteed winner. The pros and cons of the options were discussed.

Powerball Victory Motorcycle Promotion

Ms. Thronson explained a proposed “Powerball Victory Motorcycle Promotion” that the Powerball game group may do in the spring of 2007. The members of the Board liked the promotion and discussed various ways to efficiently accommodate registrations (non-winning tickets or terminal issued entry forms) by players, including having each retailer set up a box to collect the tickets or having online registrations.

North Dakota State Fair – Gift Certificates

Ms. Maragos explained a proposal that Minot area retailers be provided an opportunity to donate lottery gift certificates to the Lottery that the Lottery would award as prizes at the Lottery’s fair booth, with the Lottery possibly matching the retailers’ contributions up to a cap. The Lottery’s and retailer’s gift certificates would include notes identifying the sponsoring retailer to encourage the winning person to patronage that retailer when redeeming the gift certificate. A donation would be a nominal amount. The members of the Board felt that it was a good form of sponsorship and a nominal amount could be supported by retailers.

Recommendations - Retailer Advisory Board. Ms. Johnson suggested that the Lottery provide promotional posters for the retailers' walls and windows. She said that it would provide retailers with more tools to promote lottery tickets. Mr. Gottbreht's inquired whether it is possible to view actual Powerball drawings. A person may click on "videos" on the "Powerball Winning Numbers" subpage on the www.powerball.com website to view the actual drawing. Ms. Johnson expressed concern about manual play slips and asked about the Lottery's policy on issuing credit adjustments to retailers for human and machine (terminal) errors in printing tickets. Mr. Gottbreht suggested that the Lottery provide retailers with larger signs when doing a retailer-remote and to buy "flag" rope to enhance promotional efforts at retailers.

The next meeting will be held late summer or early fall of 2006.